

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 IO-13 L-03 H-01 PA-01
PRS-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 CIEP-01
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
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P 130833Z DEC 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 3865
INFO AMEMBASSY DACCA PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 12/13/77
TAGS: EAID, EFIN
SUBJECT: PROPOSED ADB LOAN FOR SERAJGONJ INTEGRATED RURAL
DEVELOPMENT PROJECT (BANGLADESH)

SUMMARY: ADB MANAGEMENT PROPOSES \$26.0 MILLION EQUIVALENT
LOAN FROM SPECIAL FUNDS RESOURCES TO GOVERNMENT OF BANGLADESH
TO FINANCE FOREX COST AND A PORTION OF THE LOCAL
CURRENCY COST OF INTEGRATED RURAL DEVELOPMENT PROJECT IN
SERAJGONJ SUB-DIVISION OF PABNA DISTRICT COVERING ABOUT
202,000 ACRES ABOUT 160 KM FROM DACCA IN NORTH-WESTERN
REGION OF COUNTRY. LOAN AMOUNT INCLUDES \$225,000 REPRESENT-
ING AMOUNT IN EXCESS OF \$100,000 OF BANK'S PREVIOUS TECHNICAL
ASSISTANCE. PROPOSED PROJECT AIMS TO PROVIDE NECESSARY
INFRASTRUCTURAL AND INSTITUTIONAL FACILITIES FOR INCREASE
OF PRODUCTION, IMPROVEMENT OF FARM INCOME, CREATION OF
EMPLOYMENT OPPORTUNITIES AND UPGRADING OF LIVING ENVIRONMENT
OF RURAL POPULATION IN PROJECT AREA. WHILE PROJECT APPEARS
WELL-DESIGNED AND UNQUESTIONABLY WORTHWHILE IN ITS ECONOMIC
AND SOCIAL OBJECTIVES, IT IS VIRTUALLY UNPRECEDENTED
IN SCOPE AND COMPLEXITY. USADB QUESTIONS WHETHER IT CAN BE
EFFECTIVELY IMPLEMENTED AND MONITORED BY BANK STAFF AS
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PRESENTLY CONSTITUTED. REQUEST NAC GUIDANCE.

1. ADB DOC R121-76 WITH ATTACHMENT DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES DECEMBER 3. BOARD CONSIDERATION
SCHEDULED DECEMBER 23.

2. ADB MANAGEMENT PROPOSING \$26.0 MILLION LOAN FROM
SPECIAL FUNDS TO GOVERNMENT OF BANGLADESH. PROCEEDS WILL
FINANCE \$13.775 MILLION FOREX COST AND \$12.0 MILLION OF
LOCAL CURRENCY COST OF INTEGRATED RURAL DEVELOPMENT OF
SERAJGONJ AREA OF NORTHEASTERN PART OF COUNTRY INCLUDING
(A) CONSTRUCTION OF FLOOD EMBANKMENTS AND DRAINAGE REGU-
LATORS; (B) INSTALLATION OF TUBEWELLS AND CONSTRUCTION
OF IRRIGATION AND DRAINAGE FACILITIES; (C) ROAD CONSTRUC-
TION; (D) EXPANSION OF AGRICULTURAL EXTENSION SERVICES;
(E) DEVELOPMENT OF FACILITIES FOR LIVESTOCK, POND
FISHERIES, AND RURAL INDUSTRY; (F) SOCIAL SERVICES AND
EDUCATIONAL FACILITIES; (G) COMMUNITY PROGRAMS FOR YOUTH
AND WOMEN; (H) RURAL HEALTH AND FAMILY PLANNING.
FINANCING ALSO COVER \$225,000 OF BANK'S EARLIER \$325,000
TECHNICAL ASSISTANCE. PROPOSED TERMS ARE 40 YEAR AMORTI-
ZATION INCLUDING TEN YEAR GRACE PERIOD, ONE PERCENT
SERVICE CHARGE. GOVT OF BANGLADESH TO BE BORROWER, INTE-
GRATED RURAL DEVELOPMENT PROGRAM (IRDP) TO BE MAIN EXECUTING
AGENCY.

3. DESPITE 13.2 PERCENT INCREASE IN FOODGRAIN PRODUCTION
IN 1975/76, TO RECORD 13.5 MILLION TONS, BANGLADESH
IMPORTED 1.6 MILLION TONS OF FOOD AND REMAINS FAR
FROM GOVT'S PRIMARY GOAL OF FOOD SELF-SUFFICIENCY. GOVT'S
"HARD CORE PROGRAM" FOR 1975/76 - 1977/78 ALSO STRESSES
CREATION OF EMPLOYMENT OPPORTUNITIES. ABOUT 90 PERCENT OF
BANGLADESH POPULATION LIVES IN RURAL AREAS, 30 PERCENT OF
WHOM ARE LANDLESS LABORERS. AVERAGE PER CAPITA INCOME
OF RURAL POPULATION ESTIMATED AT \$110 IN 1976.

4. WITH RAPID POPULATION GROWTH PRESSING ON AVAILABLE
CULTIVABLE AREA, RELIEF OF RURAL POVERTY
DEPENDS ON MORE INTENSIVE EXPLOITATION OF
AVAILABLE LAND WATER RESOURCES. MAIN CONSTRAINTS
TO ACHIEVING NEW BALANCE BETWEEN PEOPLE AND RESOURCES
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ARE EXISTING LIMITATIONS IN INSTITUTIONAL INFRASTRUCTURE,
MANAGEMENT OF LAND AND WATER RESOURCES, AND MOTIVATION
AND TRAINING OF RURAL POPULATION. GOVT INTENDS OVERCOME
THESE CONSTRAINTS AND ATTACK CYCLE OF ECONOMIC STAGNATION
AND RURAL POVERTY THROUGH INTEGRATED DEVELOPMENT APPROACH.
PRINCIPLES IN THIS APPROACH ARE TO MAKE VARIOUS ELEMENTS
MUTUALLY SELF-SUPPORTING, DECENTRALIZE DECISION-MAKING
PROCESS, AND TO INVOLVE ALL ELEMENTS OF POPULATION.

5. BANK APPROVED TECHNICAL ASSISTANCE (TA) GRANT IN AMOUNT OF \$325,000 IN AUGUST 1975 FOR FEASIBILITY STUDY OF SERAJGONJ INTEGRATED RURAL DEVELOPMENT PROJECT. PURSUANT TO TA, NEW ZEALAND CONSULTANTS SUBMITTED REPORT IN AUGUST 1976. BANK APPRAISAL MISSION, WHICH VISITED BANGLADESH IN SEPTEMBER-OCTOBER 1976 CONCLUDED THAT PROJECT WAS TECHNICALLY FEASIBLE ECONOMICALLY VIABLE, AND SUITABLE FOR FINANCING FROM BANK.

6. PROJECT AREA COVERS FOUR THANAS (THERE ARE 413 ADMINISTRATIVE UNITS KNOWN AS THANAS IN BANGLADESH) OF RAIGANJ, KAZIPUR, SERAJGONJ, AND ULLAPARA IN SERAJGONJ SUB-DIVISION, ADJACENT TO FOUR OF THE SEVEN THANAS COVERED BY \$16 MILLION IDA-FINANCED RURAL DEVELOPMENT PROJECT APPROVED IN MAY 1976. POPULATION ESTIMATED AT 905,000 OF WHOM 88,000 LIVE IN URBAN AREAS, MAINLY SERAJGONJ AND ULLAPARA. AREA IS ACCESSIBLE BY MAIN HIGHWAY AND RAILWAY, BUT SECONDARY ROAD NETWORK IS INADEQUATE AND MANY VILLAGES ARE INACCESSIBLE BY ROAD. PADDY IS BY FAR MOST IMPORTANT CROP. WHEAT HAS BEEN EXPANDING AS WINTER CROP; JUTE, PLUSES, SUGARCANE, AND OILSEEDS ARE ALSO GROWN. FISH RESOURCES, ONCE PLentiful, HAVE VIRTUALLY DISAPPEARED AS RESULT OF CONSTRUCTION OF IDA-FINANCED BRAHMAPUTRA FLOOD EMBANKMENT IN 1968 WHICH ENDED PERIODIC FLOODING BY JAMUNA RIVER SYSTEM. LIVESTOCK ARE PLentiful IN QUANTITY BUT VERY POOR IN QUALITY. RURAL CREDIT

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FACILITIES ARE INADEQUATE, AS ARE EXTENSION AND HEALTH AND FAMILY PLANNING SERVICES. ABOUT 50 PERCENT OF FARM FAMILIES SUFFER FROM MALNUTRITION.

7. AREA SOIL IS ALLUVIAL IN ORIGIN, CAPABLE OF SUSTAINING CROPS GROWN IN REGION GIVEN ADEQUATE IRRIGATION. TOPOGRAPHY IS GENTLE, BUT CROSSED WITH RIDGES WHICH PRECLUDE GRAVITY IRRIGATION SYSTEMS. MAIN SOURCE OF EXISTING IRRIGATION IS LOW LIFT PUMPS LOCATED NEXT TO RIVER BANKS. THOUGH AREA NORMALLY PROTECTED FROM OVERBANK FLOODING OF BRAHMAPUTRA/JAMUNA RIVER BY BRAHMAPUTRA FLOOD EMBANKMENT, FLOODING STILL OCCURS OVER LARGE AREAS OWING EXCESSIVE RAINFALL IN MONSOON SEASON.

8. PROPOSED PROJECT AIMS AT IMPROVING AGRICULTURAL PRODUCTIVITY AND LIVING CONDITIONS OF RURAL PEOPLE THROUGH BROAD-BASED INSTITUTIONAL APPROACH. PROJECT HAS FOUR MAIN COMPONENTS, EACH WITH SEVERAL SUBCOMPONENTS, AS FOLLOWS:

(A) INFRASTRUCTURE DEVELOPMENT: CONSTRUCTION OF FLOOD EMBANKMENTS AND DRAINAGE REGULATORS; REEXCAVATION AND IMPROVEMENT OF MINOR DRAINAGE CHANNELS; INSTALLATION OF 850 DEEP TUBEWELLS; CONSTRUCTION OF BRICK-LINE IRRIGATED OFFICIAL USE

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GATION DISTRIBUTION CHANNELS; REPLACEMENT OF ABOUT 105 OVERAGE LOW-LIFT PUMPS; UPGRADING TO PAVED STANDARD OF 51 MILES OF EXISTING UNPAVED ROADS, IMPROVEMENT OF 194 MILES OF UNPAVED ROADS; PROVISION OF MOTORIZED FERRIES AT THREE KEY RIVER CROSSINGS.

(B) AGRICULTURE SUPPORT FACILITIES AND SERVICES: CONSTRUCTION OF RURAL MARKETS, WAREHOUSES, AND A CENTRAL WORKSHOP; IMPROVEMENT OF THANA FACILITIES SUCH AS WORKSHOPS, RESIDENTIAL QUARTERS AND OFFICE BUILDINGS; PROVISION AND IMPROVEMENTS OF UNION (N.B.: UNION IS A LESSER ADMINISTRATIVE FACILITY WITHIN A THANA) FACILITIES SUCH AS RESIDENTIAL QUARTERS, BICYCLES, WAREHOUSES, AND COMMUNITY CENTERS; PROVISION OF SALARIES AND BENEFITS FOR 88 ADDITIONAL VILLAGE EXTENSION AGENTS; PROVISION OF TRANSPORT AND EQUIPMENT FOR EXTENSION WORKERS; ESTABLISHMENT OF DEVELOPMENT FARMS; DNUVA FARM VISIT SYSTEM BY THANA EXTENSION OFFICERS AND SPECIALIST; DEVELOPMENT AND STRENGTHENING OF TRAINING FACILITIES; PROVISION FOR RESEARCH STUDIES; PROVISION OF TK. 20.4 MILLION (\$US 1.00 - TK. 16.00) FOR SHORT-TERM AND TK. 23 MILLION FOR MEDIUM-TERM CREDIT, TO BE USED FOR PURCHASES OF SEED,

FERTILIZER, PESTICIDES, FARM ANIMALS, FISHING AND AGRO-PROCESSING EQUIPMENT, AND FOR DEVELOPMENT OF COTTAGE INDUSTRIES. CREDIT TO BE CHanneLED TO COOPERATIVE INSTITUTIONS THROUGH SONALI BANK. COOPERATIVES TO BE STRENGTHENED THROUGH BANK-ASSISTED TRAINING PROGRAMS.

(C) LIVESTOCK, POND FISHERIES, AND RURAL INDUSTRIES: IMPROVEMENT AND EXPANSION OF GOVT VETERINARY HOSPITAL AT SERAJGONJ; PROVISION OF ONE MOBILE CLINIC; FACILITIES FOR FODDER DEVELOPMENT; REHABILITATION AND DEVELOPMENT OF DERELICT GOVT-OWNED FISH PONDS; EXPANSION OF FISH SEED MULTIPLICATION FARMS; PROVISION OF FACILITIES, EQUIPMENT, TRANSPORTATION AND SALARIES FOR REQUIRED ADDITIONAL STAFF IN BOTH LIVESTOCK AND FISHERIES AREAS; PILOT SCHEMES FOR DEVELOPMENT OF RURAL INDUSTRIES.

(D) SOCIAL SERVICES AND FACILITIES: PILOT SCHEMES FOR EDUCATION AND ORGANIZATION OF RURAL YOUTHS AND WOMEN; HEALTH AND FAMILY PLANNING SERVICES TO INCLUDE UPGRADING OF SERAJGONJ HOSPITAL, CONSTRUCTION OF MATERNAL, CHILD HEALTH AND FAMILY PLANNING SUB-CENTERS, PROVISION OF TRAINING FACILITIES FOR FIELD STAFF AND ENGAGEMENT LIMITED OFFICIAL USE

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OF ADDITIONAL FAMILY WELFARE VISITORS.

9. PROJECT PROVIDES FOR TWO FOREIGN CONSULTANTS, EACH FOR TERMS OF 24 MONTHS, IN FIELDS OF GEOHYDROLOGY AND RURAL INSTITUTIONS. GEOHYDROLOGIST WILL ASSIST BANGLADESH AGRICULTURAL DEVELOPMENT CORPORATION (BADC) IN PLANNING AND MONITORING OF TUBEWELLS AND PUMPS. RURAL INSTITUTIONS EXPERT WILL ASSIST IN OVERALL INSTITUTIONAL PLANNING OF PROJECT IMPLEMENTATION, REVIEWING PROCEDURES FOR RURAL CREDIT AND ORGANIZATION OF COOPERATIVE MEMBERS, REVIEWING AND DEFINING IRDP'S ROLE AND RESPONSIBILITIES, AND COORDINATION OF CONCERNED GOVT AGENCIES.

10. TOTAL PROJECT COST ESTIMATED AT \$45.2 MILLION, OF WHICH FOREX PORTION IS \$13.775 MILLION. BANK PROPOSES TO FINANCE THIS AMOUNT PLUS \$12.0 MILLION OF LOCAL CURRENCY COSTS AND \$225,000 OF BANK'S PREVIOUS TA WHICH IS BEING INCORPORATED INTO THIS LOAN. LOCAL CURRENCY COSTS TO BE FINANCED BY BANK WOULD BE FOR CIVIL WORKS CONSTRUCTION, PRINCIPALLY RELATING TO FLOOD PROTECTION AND DRAINAGE IMPROVEMENT AND RURAL WORKS, AND EXPENDITURES RELATED TO PROJECT MONITORING. UNICEF HAS AGREED TO GRANT \$200,000 PRIMARILY FOR PILOT SCHEMES INVOLVING DEVELOPMENT OF COMMUNITY PROGRAMS IN EDUCATION AND ORGANIZATION OF RURAL YOUTH, WOMEN AND LANDLESS LABORERS. GOVT HAS ASSURED PROVISION OF ALL REQUIRED LOCAL CURRENCY FUNDS.

11. CENTRAL PROJECT EXECUTIVE COMMITTEE (CPEC) WILL BE

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FM AMEMBASSY MANILA

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FORMED IN DACCA TO COORDINATE PARTICIPATION OF VARIOUS MINISTRIES, INSTITUTIONS AND AGENCIES RESPONSIBLE FOR PROJECT IMPLEMENTATION. CPEC TO FORMULATE BROAD POLICIES AND PROCEDURES AND OVERSEE FUND ALLOCATION. TO ENSURE EFFECTIVE INTER-AGENCY COORDINATION, PROJECT EXECUTIVE COMMITTEES WILL BE ESTABLISHED AT NATIONAL, DISTRICT, AND THANA LEVELS, RESPECTIVELY. TO FACILITATE FIELD IMPLEMENTATION, FULL-TIME PROJECT IMPLEMENTATION TEAM (PIT) WILL BE ESTABLISHED AT SERAJGONJ. PROJECT MANAGER OF PIT TO KEEP IN CLOSE TOUCH WITH EXECUTIVE DIRECTOR OF IRDP AND TRANSMIT REPORTS AND FINDINGS TO CPEC THROUGH IRDP PROJECT UNIT. IRDP, MAIN EXECUTING AGENCY, WILL SERVE AS SECRETARIAT TO CPEC. IT WILL ESTABLISH A PROJECT UNIT, HEADED BY FULL-TIME EXECUTIVE DIRECTOR APPOINTED IN CONSULTATION WITH BANK. OTHER EXECUTING AGENCIES SUCH AS BANGLADESH WATER DEVELOPMENT BOARD (BWDB) AND BADC WILL BE RESPONSIBLE FOR PROJECT IMPLEMENTATION WITHIN THEIR RESPECTIVE SPHERES OF AUTHORITY. IN GENERAL, PROCEDURES HAVE BEEN FORMULATED ALONG THE LINES OF THE IMPLEMENTING PROCEDURES ADOPTED FOR AFOREMENTIONED IDA RURAL DEVELOPMENT PROJECT.

12. GOVT HAS AGREED TO RECRUIT ADDITIONAL STAFF AS
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REQUIRED FOR PIT AND FOR PROJECT THANAS. IN ADDITION,
ADDITIONAL STAFF REQUIREMENTS HAVE BEEN IDENTIFIED FOR
459 PROFESSIONAL AND STAFF POSITIONS IN SIX EXECUTING
AGENCIES. GOVT HAS ASSURED THAT THESE PERSONNEL
WILL BE RECRUITED IN A TIMELY MANNER AND BANK STAFF
ADVISE THAT THEY ARE SATISFIED AS TO THEIR AVAILABILITY.

13. EACH EXECUTING AGENCY WILL BE RESPONSIBLE FOR ITS
OWN PROCUREMENT. PROCUREMENT FOR PUMPS, ENGINES,
PIPES, SCREENS AND CASINGS WILL BE SUBJECT TO INTER-
NATIONAL COMPETITIVE BIDDING IN ACCORDANCE WITH BANK'S
GUIDELINES FOR PROCUREMENT. OTHER EQUIPMENT, WHERE
FEASIBLE, WILL BE GROUPED TOGETHER SO THAT EACH BID
PACKAGE WILL BE APPROPRIATE IN SIZE FOR INTERNATIONAL
COMPETITIVE BIDDING. SUPPLY CONTRACTS FOR EQUIPMENT
AND MATERIALS COSTING LESS THAN \$100,000 TO BE AWARDED
ON BASIS FO REASONABLE NUMBER OF BIDS FROM MORE THAN
ONE COUNTRY. CONTRACTS FOR WELL CONSTRUCTION AND OTHER
CIVIL WORKS (EXCEPT EARTHWORKS) SUCH AS FLOOD EMBANKMENTS,
IRRIGATION AND DRAINAGE CHANNEL IMPROVEMENTS, RURAL ROADS,
AND THANA BUILDINGS ARE DEEMED NOT SUITABLE FOR INTERNATIONAL
BIDDING AND WILL BE AWARDED ON BASIS FO COMPETITIVE
BIDDING AMONG PREQUALIFIED LOCAL CONTRACTORS.
TUBEWELLS ARE WIDELY SCATTERED AND SUBJECT TO SEASONAL
RESTRICTIONS ON DRILLING ACTIVITIES; OTHER CIVIL WORKS
ARE SIMPLE, WIDELY SCATTERED AND HIGHLY LABOR INTENSIVE.
THESE ARRANGEMENTS ARE CONSIDERED TO BE IN ACCORD BANK
POLICY ON DOMESTIC PROCUREMENT. CONSTRUCTION UNDER RURAL
WORKS PROGRAM WILL BE IN ACCORD WITH EXISTING PROCEDURES
OF MINISTRY OF LAND ADMINISTRATION, LAND REFORM, LOCAL
GOVT, RURAL DEVELOPMENTS AND COOPERATIVES.

14. PROPOSED PROJECT WOULD PROVIDE COMPLETE PROTECTION
FROM FLOODING FOR GROOS AREA OF 202,000 ACRES AND ASSURED
IRRIGATION FOR 110,000 ACRES OF CULTIVATED LAND.
CROP CULTIVATION WOULD BE INTENSIFIED AND DIVERSIFIED;
CROPPING INTENSITY WOULD INCREASE FROM 154 TO 204 PERCENT.
HIGH YIELDING VARIETIES WOULD PROGRESSIVELY REPLACE
TRADITIONAL VARIETIES OF PADDY. INCREMENTAL
ANNUAL CROP PRODUCTION AS RESULT OF PROJECT ESTIMATED
AT 51,000 TONS OF PADDY, 51,000 TONS OF WHEAT, 13,000
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TONS OF OILSEEDS, 19,000 TONS OF SUGAR CANE, 15,000 TONS OF VEGETABLES, 205,000 TONS OF FODDER, FOR A COMBINED VALUE OF \$14 MILLION.

15. AVERAGE INCOME FOR A FARM FAMILY WITH 3 ACRES OF LAND WOULD RISE FROM PRESENTLY ESTIMATED \$180 TO ABOUT \$550. AT FULL DEVELOPMENT, ON-FARM LABOR DEMAND WOULD INCREASE BY ESTIMATED ADDITIONAL 15,000 MAN-YEARS. IN ADDITION, BECAUSE OF EXTENSIVE USE OF LABOR INTENSIVE TECHNIQUES, OVER 50 PERCENT OF PROJECT LOCAL CURRENCY COST WILL BE PAID TO UNSKILLED LABORERS, PROVIDING AN AVERAGE OF OVER 18,000 ADDITIONAL FULL-TIME JOBS ANNUALLY DURING THE FIVE-YEAR PROJECT IMPLEMENTATION PERIOD. ECONOMIC INTERNAL RATE OF RETURN ESTIMATED AT 29 PERCENT, TAKING INTO ACCOUNT ONLY INCREASE IN CROP PRODUCTION DUE TO PROJECT. APART FROM QUANTIFIABLE BENEFITS, PROJECT WOULD IMPROVE QUALITY OF RURAL LIFE AND PROVIDE STIMULUS TO RURAL POPULATION TO PARTICIPATE ACTIVELY IN DEVELOPMENT ACTIVITIES.

16. COMPLEXITY AND SCOPE OF PROPOSED PROJECT MAKE IT MOST AMBITIOUS UNDERTAKING YET ATTEMPTED BY BANK IN RURAL DEVELOPMENT AREA. BANK STAFF ADVISE THAT IT IS CONSIDERABLY MORE COMPLEX THAN ADJACENT IDA PROJECT WHICH HAS FULL-TIME ATTENTION OF TWO RESIDENT WORLD BANK STAFF. PROJECT WILL ALMOST CERTAINLY REQUIRE FOLLOW-UP CONSULTANT SERVICES AND WILL BLOSTER POSITION OF THOSE FAVORING RESIDENT BANK MANAGER IN BANGLADESH. IN SHORT, WHILE PROJECT APPEARS WELL-DESIGNED AND IS UNQUESTIONABLY WORTHWHILE IN ITS ECONOMIC AND SOCIAL OBJECTIVES, USADB SERIOUSLY QUESTIONS WHETHER IMPLEMENTATION AND MONITORING CAN BE HANDLED BY BANK STAFF AS PRESENTLY CONSTITUTED AND LOCATED. CONSIDERING AS WELL POOR RECORD OF IMPLEMENTATION OF PREVIOUS BANGLADESH PROJECTS, USADB IS RELUCTANT TO RECOMMEND APPROVAL OF ONE THAT SURPASSES ALL OTHERS IN COMPLEXITY. REQUEST NAC GUIDANCE.

17. REQUEST DACCA COMMENTS, INFO USADB, PURSUANT TO STATE 119575 DATED 3 JULY 1972.
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